

TAX TIPS FOR INSURANCE COMPANIES AND BANKS CONDUCTING BUSINESS IN DELAWARE

Things You Should Know

Definitions 30, Del. C., Ch. 23

An insurance company or bank who is licensed under Titles 18 and 19 of the Delaware Code is exempt from the license and gross receipts tax imposed in Chapter 23 under Section 2301(o).

INSURANCE COMPANIES

The tax is administered by the Insurance Commissioner under Titles 18 and 19 Delaware Code, 841 Silver Lake Blvd., Rodney Building, PO Box 7007, Dover DE 19903-1507, (302) 739-4251. See end of this section for insurance web site.

General Liability

All insurers, except workers' compensation insurers, and wet marine and transportation insurers, pay a tax based on gross premiums called the "premiums" tax. Wet marine and transportation insurers pay a tax on their underwriting profits. Workers' compensation, employer's liability, and self-insurers are taxed on gross premiums. In addition employer owned/trust owned life insurance policies are taxed according to a sliding scale.

Tax Rate

Insurers are categorized as follows: Wet marine and transportation insurers, workers' compensation insurers, and all other insurers.

Insurance Category	Tax Rate
All insurers (except worker's compensation and wet marine and transportation insurers)	2% (1.75% from Title 18, <u>Delaware Code</u> , Section 702, and 0.25% from Section 707) on gross premiums written, as detailed above.
Wet marine and transportation Insurers	5% of taxable underwriting profits.
<u>Workers' compensation insurers</u>	
Insurance Carriers	2% of gross premiums to General Fund and a fee of 1% of gross premiums to maintain the Second Injury Fund.
Self-Insurers	4% of gross premiums to the General Fund and 1% of gross premiums to maintain the

	Second Injury Fund.
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Additionally, a domestic insurers' privilege tax (18 Delaware Code, Section 703) is levied on certain domestic insurers for the benefit of operating within the state. This tax is based on annual gross receipts as defined in (18 Delaware Code, Section 703) and is determined according to the schedule below:

If Annual Gross Receipts Are:	Annual Privilege Tax Shall Be:
Less than \$ 1,000,000	\$ 0
\$ 1,000,000 - \$ 5,000,000	\$10,000
\$ 5,000,001 - \$10,000,000	\$25,000
\$10,000,001 - \$20,000,000	\$45,000
\$20,000,001 - \$30,000,000	\$65,000
\$30,000,001 - \$40,000,000	\$85,000
Over \$40,000,000	\$95,000

[Delaware Insurance Commissioner's Web Site](#)

BANKING

The tax is administered and collected by the Department of State, Office of the State Bank Commissioner, 555 E. Loockerman Street, Suite 210, Dover, DE 19901, (302) 739-4235.

General Liability

Franchise taxes are imposed on the taxable income of banks, trust companies, and savings/building and loan associations, resulting branches, foreign bank limited purpose branches, foreign bank agencies, and federal branches and agencies.

For banking organizations (other than resulting branches), the tax basis is net operating income before taxes, with reductions allowed for the following:

Income from any insurance division or subsidiary; securities losses before taxes;
net operating income before taxes from specific subsidiaries that are taxable

under Delaware law or the law of any other state; certain non-United States branch offices; gross income from international banking transactions and facilities; interest income from volunteer fire companies; and examination fees of the Office of the State Bank Commissioner. This sum is multiplied by 0.56 to arrive at taxable income for Delaware purposes.

For resulting branches, the calculation of taxable income also includes the addition of an imputed capital addback.

Tax Rates

The rate of tax upon the "taxable" income of banking organizations and savings/building and loan associations is as follows:

Net Income Range	Tax Rate
Not greater than \$20 million	8.7%
\$20 million to \$25 million	6.7%
\$25 million to \$30 million	4.7%
\$30 million to \$650 million	2.7%
Greater than \$650 million	1.7%

[Delaware Banking Commissioner's Web Site](#)

General

If you have any questions, please contact one of the following offices

<i>Wilmington</i>	<i>Dover</i>	<i>Georgetown</i>
Division of Revenue Carvel State Office Building 820 North French Street Wilmington DE 19801 (302) 577-8205	Division of Revenue Thomas Collins Building 540 South DuPont Highway Suite 2 Dover DE 19901 (302) 744-1085	Division of Revenue Suite 2 422 North DuPont Highway Georgetown DE 19947 (302) 856-5358

or by e-mail at: elliott.johns@state.de.us (302) 577-8262